PAMI
Annual Report
2001-2002

Dedication

Alan Boyden

This dedication is to Alan Boyden, a long term staff member who passed away on January 11, 2002.

102-07515/

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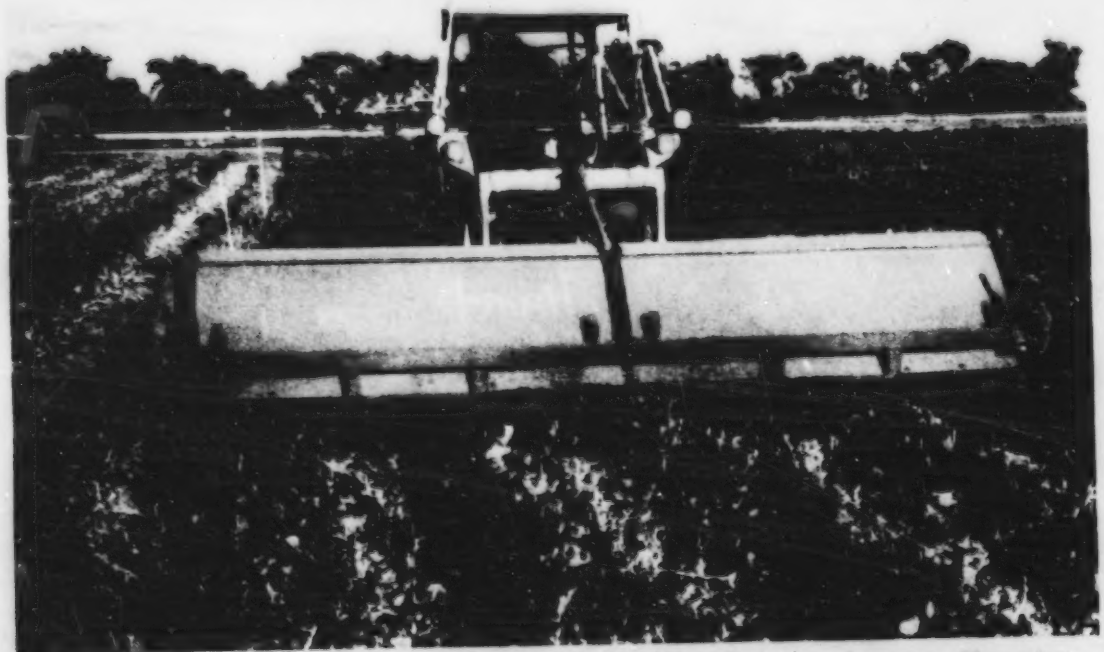
Cover Photo by: Larry Warantz



PAMI conducted comparisons of mechanical and chemical top-kill methods on seed potatoes. The project compared two different styles of vine shredders to determine their performance and ability to optimize seed potato quality and yield when used in combination with various desiccant treatments.

Chairman's Message

Tom Lowes,
Chairman,
Prairie Agricultural Machinery Institute

It is my pleasure to report on PAMI's operations for the 2001/02 year.

Our organization held some tough ground in this year of economic instability. We didn't post a bottom-line surplus on operations, but we were able to carry a heavy and demanding workload and meet commitments to our clients.

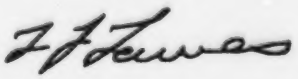
This year we had changes among the representatives on our Board of Directors. Manitoba agricultural producer, Garvin Kabernick, retired after serving as our Vice-chair for many years. Larry Gutek of Saskatchewan Agriculture, Food and Rural Revitalization also retired. I take this opportunity to thank each of the retiring members for their commitment to PAMI, and for their dedication and hard work on the Board.

Two new members were appointed to replace the retired members. Bill Zettler, of Portage La Prairie, Manitoba was appointed, and was elected by the Board to serve as Vice-chair. Abdul Jalil, of Saskatchewan Agriculture, Food and Rural Revitalization was also appointed.

Our scheduled upgrades to facilities and systems are progressing on schedule. The final phases of building and systems upgrades at our Humboldt facility are underway, and will be completed early next year. We are positioning now to upgrade our Quality Assurance system across the organization to the requirements of ISO 9001:2000.

As we focus on the future of agriculture, we see abundant opportunity for PAMI to serve the technology needs of our industry. Our advances further into livestock, new cropping systems, and agri-processing will help move the Canadian Prairies forward as a world-contender in the agricultural industry.

I'd like to thank my fellow Board members, our staff, and clients for their commitment to our organization. I look forward to working with each of you in the year ahead.



President/CEO's Message

David Gullacher,
President and Chief Executive Officer,
Prairie Agricultural Machinery Institute

It's my privilege to report on one of the most bittersweet years in PAMI's history. This year our team was able to carry out the same overall volume of work as previous years, for clients whose very survival was threatened by the economic fall-out of weather and world events. Our bottom line shows the strain however - a deficit instead of the surpluses achieved in each of the past 5 years. This year we suffered the tragic loss of our co-worker and friend, Al Boyden, in a workplace accident. We will always remember his friendship and his enthusiasm for the job. We dedicate this annual report to his memory.

We undertook over 200 projects this year, valued at approximately $2.8 million. Our clients ranged from agricultural producers, to large and small manufacturers, to agri-processors, and other related industries. Approximately 70% of our revenue came from contracts with these industries, while about 30% was provided as a base-grant from Saskatchewan and Manitoba's governments.

Our ISO 9002 quality system has proven very effective in pinpointing areas for improvement. We extensively survey our clients, and this year, they rated their satisfaction 8.7 on a scale of 10. One client comment characterized our teamwork in this way ...

"Your people and ours meshed extremely well to get the project done."

Our Communications team had another intense year, successfully launching 44 information items or events. Our information "made the news" every 1.7 business days this year, reaching audiences in agricultural communities throughout the Canadian Prairies.

We posted a loss for the year totaling $291,668. This loss accrued from three sources. Our deficit on ordinary operations was about $220,748, which amounts to 5.1% of our expenditures for the year. In addition, we realized a loss of about $70,920 on windup of the Load Cell Test Center this year. We have pursued this initiative over the past several years, but were not successful in getting the funding required for its development and operation.

Our **focus on the future of agriculture** is leading us further into livestock, widely diversified cropping systems, and agri-processing. We have already conducted a number of projects, and are investigating areas where our skills would provide great value to clients in these sectors.

I thank our Board, our staff, and each of our clients for contributing to our success this year. We look forward to serving, and having an impact on our agricultural industry.

Letters of Transmittal

PAMI

Humboldt, Saskatchewan

March 31, 2002

Honourable Clay Serby
Deputy Premier,
Minister of Agriculture, Food and Rural Revitalization
Province of Saskatchewan

Honourable Rosann Wowchuk,
Minister of Agriculture and Food
Province of Manitoba

It is my honour to present the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2002.

Respectfully submitted.

Tom Lowes, Chairman
Prairie Agricultural Machinery Institute

March 31, 2002

Honourable Dr. Lynda Maureen Haverstock
Lieutenant Governor
Province of Saskatchewan
Chancellor of the Saskatchewan Order of Merit

Your Honour:

I have the honour to submit the annual report of the Prairie Agricultural Machinery Institute for the year ended March 31, 2002. It includes the Financial Statements duly certified by the Provincial Auditor.

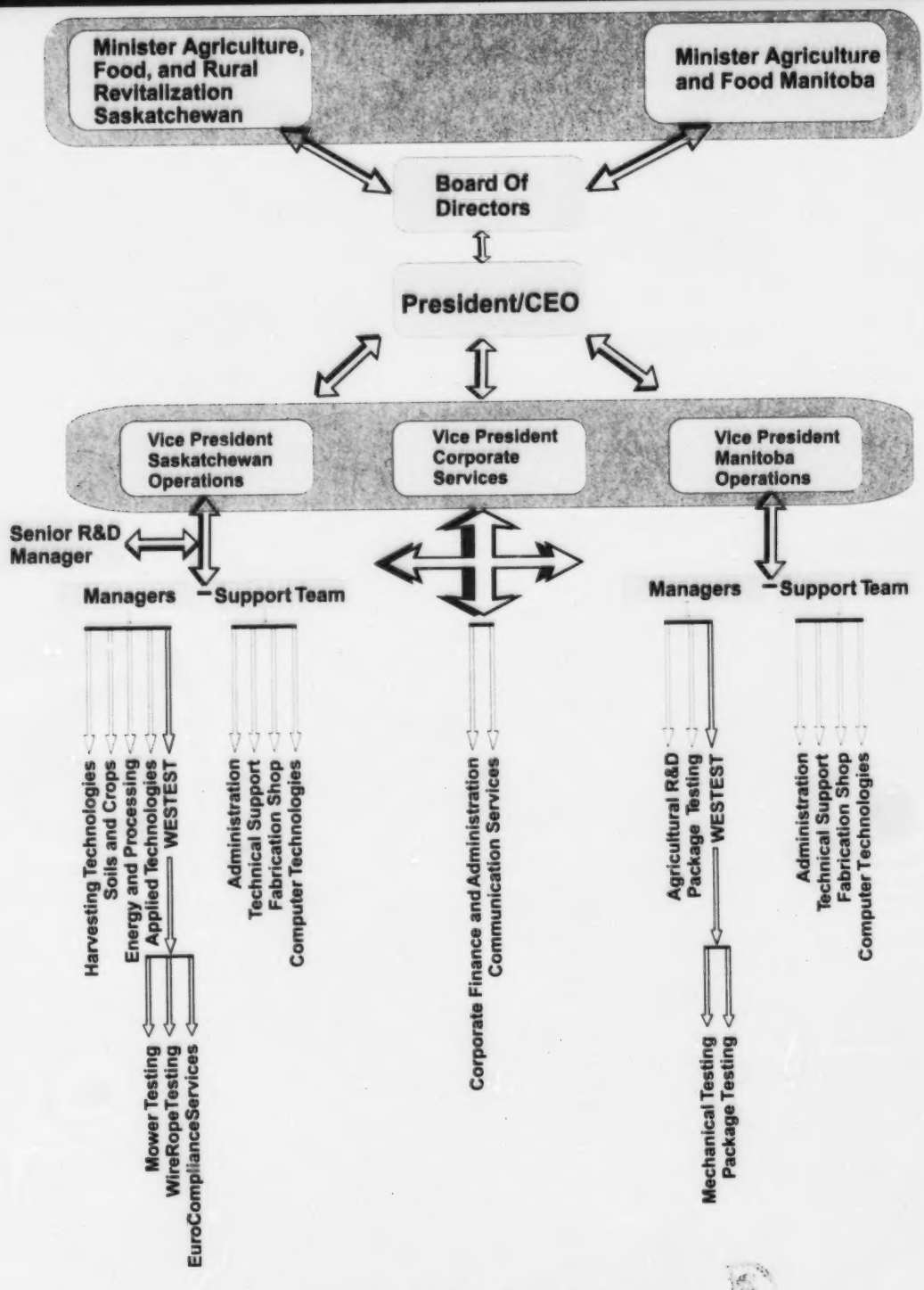
Respectfully submitted.

Clay Serby
Deputy Premier
Minister of Agriculture, Food and Rural Revitalization

Honourable Rosann Wowchuk
Minister of Agriculture and Food
Province of Manitoba

Honourable Clay Serby
Deputy Premier
Minister of Agriculture, Food and Rural Revitalization
Province of Saskatchewan

PAMI's Organizational Chart



PAMI's Staff - committed to getting the job done

Corporate Management Team

Gullacher, David	President/Chief Executive Officer
Broad, Barrie	Vice President, Corporate Services, Quality Assurance Manager
Kieper, Richard	Vice President, Manitoba Operations
Wassermann, James	Vice President, Saskatchewan Operations

Administrative Services

Broughton, Marcia	Supervisor, Quality Assurance Coordinator
Haeusler, Marina	Supervisor, Quality Assurance Coordinator
Abrey, Rachel	Administrative Assistant
Aquin, Annette	Administrative Assistant
Bergermann, Carol	Financial Accountant
Malinski, Marilyn	Accounting Supervisor
Stroeder, Shelly	Administrative Assistant
Szautner, Laurie	Administrative Assistant

Communication Services

Beaulieu, Kelly	Coordinator
Doepker, Sharon	Research Librarian
Jackson, Carol	Assistant
Lepage, Dianne	Administrative Assistant

Applied Technologies

Lucyshyn, Troy	Manager
Pauli, Brad	Assistant Manager

Mechanical Engineering

Schott, Ryan	Manager

Package Testing

Collins, James	Project Technician
Carr, Terry	Project Technician

Soils and Crops

Hultgreen, Gordon	Manager
Stock, Wayne	Assistant Manager

Technical Services

Burton, Gregory	Computer Systems Administrator
Carmichael, Ken	Computer Systems Administrator, Instrumentation/Electronics Supervisor
Cross, Errol	Project Technician
Klapak, Nelson	Project Engineer
Lechler, Mark	Project Engineer-in-Training
Lovell, Perry	Instrumentation/Electronics Supervisor
Rude, Derek	Project Technologist

Research and Development

Leduc, Philip	Senior Manager

Energy and Processing

Lischynski, Darrell	Manager

Harvesting Technologies

Hill, Les	Manager
Kelly, David	Assistant Manager

Shop Services

Bay, Ted	Supervisor
Smith, Art	Supervisor
Cleaver, Cam	Project Technician
Cook, Murray	Fabricator
Doepker, Gordon	Maintenance
Koski, Pete	Fabricator
Rauert, Andrew	Fabricator

PAMI's Business Development Strategy

We believe in delivering tangible results to our clients

Strongly Focused on the Future of Agriculture

Much of the Canadian Prairies was plagued with poor growing conditions and severe drought that left pastures and farmland parched and dry. Despite this blow from nature, Prairie farmers still recorded a rise in net farm income of 29.8% from 2000. This increase was mainly due to a booming livestock sector (Statistics Canada on 2001 Net Farm Income). PAMI had been gearing up for this trend and was well positioned to contribute to the building of the livestock industry. Our senior management and project leaders had long predicted that the future of agriculture on the Prairies would be deeply seated in livestock and value-added diversification. The year 2001-2002 has shown us that we are definitely moving in the right direction.

Some of PAMI's past projects demonstrated the importance of the work we have done over the years. Our work on the Livestock Watering Guide has been praised repeatedly by extension workers as a comprehensive reference for those farmers who needed this information to help them plan livestock watering strategies. Past work on conservation tillage practices provided answers for producers who needed information on conserving precious soil moisture. Our work on seeding equipment also helped many producers find the information they needed to help them take the plunge into new crops such as chickpea and lentil. PAMI's work on manure management and projects such as the injection of swine manure into grasslands proved that the application of liquid hog manure on forages can have beneficial effects for the livestock industry.

PAMI has been developing and delivering cost-effective solutions that streamline processes and increase profitability - bringing science to bear on issues related to agribusiness. It makes us very proud that our tradition at PAMI has been to develop products and processes that are both market-responsive and environmentally responsible.

By using the latest in computer technology, PAMI is able to deliver superior service to customers. This software program called Pro/ENGINEER is the leading 3D product development solution, and spans the entire product development process, from concept through detailed product definition - it's a part of PAMI's commitment to remaining on the cutting edge of technology.

What Service Means to PAMI:

- focusing on the future of agriculture
- developing a partnership with clients
- delivering value
- helping to anticipate and avoid problems
- going the extra mile
- being responsive, efficient, courteous

Some quotes from our 2001-2002 clients:

"Excellent study; great value to producers, manufacturers and researchers"

"Great quality, independent and professional, more meaningful data than the other testers"

"Got what we were looking for and more"

"Fully met expectations and the goals of the contract"

"Exceptional ability to get the project done despite all obstacles"

"Good flexibility and ability to respond to our changing schedules"

"We got a professionally engineered product with all requirements met"

Relationship Building

The relationship that we build with our clients is one of mutual respect and trust. Our staff work very hard at not only building that trust, but in going the extra mile, doing that little bit more that truly shows our commitment to customer satisfaction through quality service. We build this relationship by opening a dialogue, listening, and responding to clients - we strive to always be professional, effective, and timely. Our goal is to meet our client's technical or professional needs and to help them meet their business goals. To know what the clients need, we need to build a strong business relationship where clients feel confident and comfortable. PAMI acknowledges the responsibility such an alliance demands. We are committed to the development of successful, long-term relations in a business environment which embraces customer profitability and customer retention as a central component of our success. PAMI's success at building these relationships is evident from our track record. We have several clients that have been with us from the very start - that's twenty-seven years!

Over the years, internal networking and polishing our business development strategies has become a major focus of PAMI's efforts to increase our ability to serve our clients. The implementation of weekly business development meetings between the two stations, this year, has resulted in the formation of a more open dialogue between project managers and has increased networking and information sharing. This vital link between the two stations, Humboldt and Portage la Prairie, gives PAMI's clients access to expertise in numerous facets of agribusiness. Collaboration rather than competition, strategic diversity, partnering to share knowledge, skills, and experience, liberally spiced with enthusiastic and innovative team members, all bound together with a focused commitment to teamwork - it's a winning recipe for our clients!

Leading the Way

PAMI has been a leader in technological advances because we take the time to train our staff, to upgrade our facilities and equipment, and to stay informed. We travel widely and are connected to industry through our many committee affiliations and memberships. This gives us a global perspective that we can bring to bear on our mission - to apply technology to agriculture.

Putting our specialized knowledge to work to better the lives of farm families and agribusiness is a challenge that keeps us striving to improve, and thereby enhance, our contribution to the Prairie economy. PAMI exists to help people on the Prairies develop a viable rural economy with productive, efficient production methods and sustainable jobs. We do this by applying innovative scientific and technological solutions to the problems associated with agricultural production on the Prairies. An important component of our research is that we can and do involve the experts; we collaborate with universities, other research facilities, and industry leaders to ensure that we are always working with the latest information and technologies. We would like to salute these people and PAMI's staff for their contribution to agriculture and agribusiness.

Sharing Expertise

PAMI has a passion for learning and for sharing ideas. We are committed to delivering results in every facet of our business endeavors - real world solutions that make a difference to the profitability of agriculture on the Canadian Prairies. Over the years, PAMI has developed an extensive network of liasons with other research facilities, universities, and the technical development teams of businesses throughout the world. Because PAMI does not compete with manufacturers or other businesses, we have a unique opportunity to contribute to the common knowledge-base. Much of the work that PAMI undertakes results in advancements that immediately and directly benefit farmers. Information for farmers is readily available on our website at www.pami.ca. It's how we share expertise - up-to-the-minute, accessible, easy to read information that farmers need and want.

PAMI's 2001/02 Activities in Review

PAMI Projects In Review: 21 agricultural research projects worth $500,000 (areas of work include potatoes, manure utilization, special crops, seabuckthorn harvesting, forage, agri-processing, environmental concerns, organic agriculture, cattle), 156 other projects worth $1.3 million, 52 agricultural development projects worth $1.0 million (areas of work: harvesters, tractors, agricultural spray equipment, forage equipment, seeders, agri-processing, safety).

Communication Services Highlights: Media coverage every 1.7 days, 6 press releases, 4 research updates/reports, 4 brochures/booklets, attendance with displays at 7 shows, maintenance of 3 web sites with excellent traffic, 10 technical presentations/articles, 7 information advertisements, 3 emailers that reached 4,300 existing and potential clients.

Support Services - Working Hard Every Day: PAMI relies on its work force of dedicated, hard-working, and highly-skilled staff members to get the job done. Their commitment to PAMI is demonstrated every day in the smooth operation of our dynamic and bustling business. From our professional and efficient Administrative Services people who keep our offices running day-to-day to the skilled and dedicated Technical and Shop Services staff who make the projects happen, to the Library and Electronics and Computer staff who provide essential services, it's a team effort that is built on a common foundation - a belief in the value that PAMI delivers to agriculture and agribusiness.

Making Technology Work for Us: To serve our clients better, PAMI has embraced the benefits of a digital age. PAMI is now communicating with customers at e-speed, using web tools to deliver critical information, providing service solutions on-line, and looking for new business opportunities through direct mail contacts. Digital cameras and video cameras allow us to give the clients their test results minutes after the test is complete. It's as good as being there in person without the expense of traveling.

PAMI's Energy and Processing Division just completed a project that looked at straw availability, straw recovery after harvesting and baling, and straw quality changes during storage. Here a PAMI staff member samples a straw bale during the 14 month storage period.

Business Services

Our commitment to quality service is what keeps our clients coming back

Agricultural Research & Development

- OECD (Organization for Economic Co-operation and Development) tractor testing
- Special crops harvesting and systems
- Equip
- Hog
- Fruit

Harvesting Techno

- Cereal and oil seed harvesting tech
- Special crops/alternate har
- Equipment assessments for manu
- Fabrication of field-scale harvesting e
- Confidential, reliable testing service
- Development of prototype harvestin

Soils and C

- Soils
- Tr
- Liv
- Hog
- Manure
- Field
- Direct,
seeding equip

Energy and Processing

- Crops processing systems and technology
- Special crops harvesting and processing systems
- Waste management
- Residue collection, transportation, and economics
- Equipment assessments and trouble shooting
- Special crops market research
- Design, testing, set-up, and fabrication of full-scale crop and fibre processing systems

Applied Technologies

- Precision instrumentation
- Canada-wide technical network
- Standards compliance testing
- Large-scale cold room testing
- Concept development and enhancement

e,

s

- Exotic livestock production

Haying & Forage Technologies

- Hay and forage harvesting technology
- Equipment assessments for manufacturers
- Feed processing technologies
- Prototyping of forage harvesting equipment

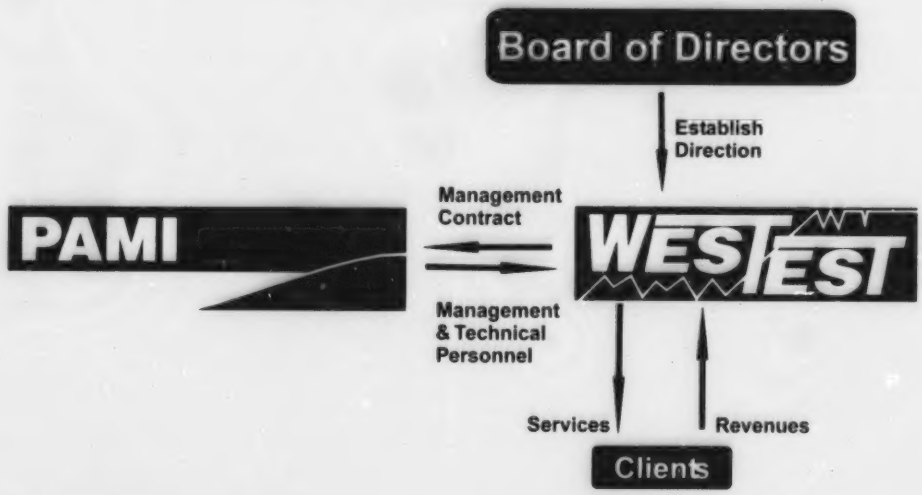
All Terrain Vehicle RAMD Proving Grounds - 320 acres/private
World-wide standards library
Prototype design and fabrication
On-site consultations
Project reports our clients are proud to display
Testing to standards or your specifications
An ISO 9002 registered company

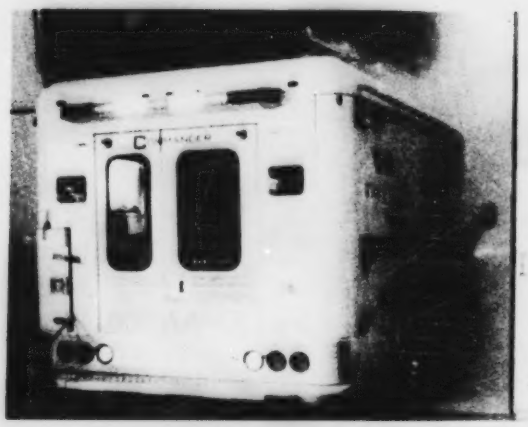
WESTEST - *A World Class Testing Facility*

WESTEST was created in 1991 to provide sophisticated physical testing and product performance evaluation services. WESTEST's shareholders are PIMA - Agricultural Manufacturers of Canada, Manitoba Hydro, Saskatchewan Mining Association, CNH Global, and John Deere. Management and technical services are provided by PAMI through a management contract.

WESTEST has a reputation for excellence in evaluation, testing, design, fabrication, prototyping, standards compliance testing, mechanical and package testing, noise, vibration, ROPS and FOPS testing, component, and whole vehicle durabilitiy testing. At WESTEST, reliable service, confidentiality, and security are assured. WESTEST is an ISO 9002 registered company.

WESTEST's Organizational Chart





WESTEST Board of Directors:

Jerry Engel - Chairman
Roger Ludwick - Vice Chairman
David Gullacher - President/CEO
Barrie Broad - Secretary Treasurer
George Gamby - Director
Phil Reeves - Director
Carol Vibert - Director
Bob Malcolm- Director
Don Watt - Director
Loren Katzenberger - Director
Leon Gullickson - Director

Mechanical Testing

- Accelerated durability testing
- Standards compliance testing
- Design and design verification
- Prototype and component testing
- All-weather testing facilities
- State-of-the-art data collection & analysis
- Strain gauging
- Industrial vehicle proving ground
- Information advisory service
- Video/digital photographing of tests

Package Testing

- Full service package testing laboratory
- Packaging design and testing
- Standards compliance testing
- Experimental, innovative packaging
- Container conditioning
- Drop, impact, compression, stacking, tensile, vibration, and lift testing
- ISO 9002 registered, USDOT registered

Environmental Chambers

- Three 30hp two-stage refrigeration systems
- Controlled air humidification
- Temperature range of +60° C to -50° C
- Engine cold starts, vehicle heating/cooling
- Calibration of temperature sensitive equipment
- Reduced temperature component operation

EuroCompliance Services

- Interpretation of European Union Directives
- Technical Construction File assembly
- Hazard Identification and Risk Assessment
- Preparation of product documentation

Noise Measurement Testing

- Frequency spectrum
- Priority and path determination
- Intensity mapping
- Sound power measurement

Wire Rope Testing

- Magnetic flux testing
- Testing for elevators, and gate cables
- Inspection for safe working loads
- On-site testing

Mower Testing

- Safety related testing (SAE/ASAE standards)
- Design consultation and prototyping
- Information advisory service
- Accelerated durability testing

Financial Statements
For the Year Ended March 31, 2002

Management's Responsibility for Financial Statements

The Financial Statements and other related financial information contained in the annual report are the responsibility of management and have been approved by PAMI's Board of Directors.

Preparation of these statements has been done according to Canadian generally accepted accounting principles. Financial data elsewhere in the annual report is consistent with information contained in the annual report.

PAMI maintains a system of internal controls designed to provide reasonable assurance that the financial information is reliable and that the corporate assets are safeguarded. The Provincial Auditor for Saskatchewan is appointed by legislation to annually audit the accounts and financial statements of PAMI. His report follows.

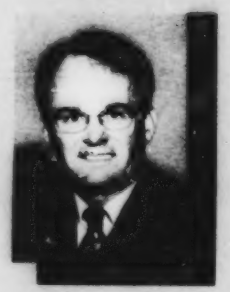
David Gullacher,
President/CEO

Barrie Broad,
Vice President
Corporate Services

June 14, 2002

Corporate Management Team

David Gullacher
President/CEO
PAMI/WESTEST



Barrie Broad
Vice President
Corporate Services

Jim Wassermann
Vice President
Saskatchewan
Operations

Richard Kleper
Vice President
Manitoba
Operations

AUDITOR'S REPORT

To the Members of the Legislative Assembly of Saskatchewan

I have audited the balance sheet of the Prairie Agricultural Machinery Institute as at March 31, 2002 and the statements of revenue, expenses and net assets, and cash flows for the year then ended. The Institute's management is responsible for preparing these financial statements for Treasury Board's approval. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with Canadian generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Prairie Agricultural Machinery Institute as at March 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Regina, Saskatchewan
June 14, 2002

Fred Wendel, CMA, CA
Provincial Auditor

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
BALANCE SHEET
As at March 31

	2002	2001
ASSETS		
Current:		
Accounts receivable	$ 944,220	$ 1,480,022
Prepaid expenses	49,731	50,863
	993,951	1,530,885
Restricted cash	353,943	180,219
Capital assets (Note 4)	3,452,198	3,598,916
	$ 4,800,092	$ 5,310,020
LIABILITIES AND NET ASSETS		
Current:		
Bank indebtedness (Note 8)	$ 19,013	$ 167,329
Due to General Revenue Fund (Note 3)	111,660	426,396
Accounts payable and accrued liabilities	321,009	369,162
Unearned revenue	232,315	124,902
	683,997	1,087,789
Deferred capital grants (Note 5)	2,168,198	1,963,566
Due to Government of Alberta (Note 6)	42,351	61,451
	2,210,549	2,025,017
	2,894,546	3,112,806
Net assets (Statement 2)	1,905,546	2,197,214
	$ 4,800,092	$ 5,310,020

Commitments and contingencies (Note 7 and 12)

(See accompanying notes to the financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
STATEMENT OF REVENUE, EXPENSES AND NET ASSETS
Year Ended March 31

	Budget (Note 11)	2002	2001
Revenue			
Provincial transfers:			
Saskatchewan - General Revenue Fund - Department of Agriculture and Food	$ 768,000	$ 768,000	$ 768,000
Manitoba - Consolidated Fund - Department of Agriculture	332,500	332,500	332,500
	1,100,500	1,100,500	1,100,500
Fee for service	3,220,000	2,818,288	2,955,481
Subscription income	15,000	24,120	47,145
Government Capital Grants (Note 5)	-	95,368	177,716
Interest income	10,000	16,208	26,375
Other income	9,000	7,504	20,870
Total revenue	4,354,500	4,061,988	4,328,087
Expenses			
Salaries	2,124,649	2,102,926	2,116,479
Operating	2,038,456	1,891,463	1,889,754
Amortization	128,000	359,267	307,133
Total expenses (Schedule 1)	4,291,105	4,353,656	4,313,366
(Deficiency)/excess of revenues over expenses	63,395	(291,668)	14,721
Net assets, beginning of year	2,197,214	2,197,214	2,182,493
Net assets, end of year (Statement 1)	$ 2,260,609	$ 1,905,546	$ 2,197,214

(See accompanying notes to the financial statements)

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
STATEMENT OF CASH FLOWS
Year Ended March 31

	2002	2001
Cash flows from operating activities:		
Cash receipts from customers	$ 3,463,975	$ 2,721,322
Cash receipts from Saskatchewan General Revenue Fund	768,000	768,000
Cash receipts from Manitoba Consolidated Fund	332,500	332,500
Cash paid to suppliers and employees	(4,038,862)	(3,922,218)
Interest income	16,208	26,375
Other cash receipts	22,693	15,633
Cash flows from operating activities	564,514	(58,388)
Cash flows from investing activities:		
Purchase of capital assets	(217,210)	(1,014,549)
Proceeds from sale of capital assets	9,262	7,500
Cash flows used in investment activities	(207,948)	(1,007,049)
Cash flows from financing activities:		
Receipt of capital grants (Note 5)	300,000	210,217
Increase in Restricted Cash	(173,724)	(145,584)
Repayment of load cell capital grant (Note 5)	(19,790)	-
Repayment of bank loan	(148,316)	119,538
Cash flows from financing activities	(41,830)	184,171
Net increase/ (decrease) in cash and cash equivalents	314,736	(881,266)
Cash and cash equivalents, beginning of year	(426,396)	454,870
Cash and cash equivalents, end of year	$ (111,660)	(426,396)
Represented by:		
Due to General Revenue Fund	$ (111,660)	$ (426,396)

(See accompanying notes to the financial statements)

1. Status of Institute

The Prairie Agricultural Machinery Institute (Institute) is a body corporate under *The Prairie Agricultural Machinery Institute Act, 1999*. The affairs and business of the Institute are managed by the Prairie Agricultural Machinery Institute Board (Board).

The purposes of the Institute are:

a) to test and appraise under actual or simulated working conditions, machinery and electronic equipment used or intended to be used in the agriculture or food industries;

b) to undertake research and development projects to improve and develop machinery and electronic equipment for agricultural or food industries use;

c) to publish such reports, pamphlets and bulletins as are consistent with the intent of the Act; and

d) to perform such additional functions as may be determined by the Board to be consistent with the objectives of the Institute.

2. Significant Accounting Policies

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles. The significant accounting policies of the Institute are as follows:

a) Capital Assets

Capital assets are recorded at cost less accumulated amortization. Amortization is recorded using the declining balance method of amortizing capital assets over their expected useful life. The following rates have been used in applying this policy:

Building	5%
Equipment	10%
Furniture	10%
Vehicles	10%
Computer equipment	30%

b) Unearned Revenue - Fee for Service Revenue

Unearned revenue consists of fee for services that have not yet been provided. Fee for service revenue on contracts is recognized using the percentage of completion method.

c) Deferred Grants

Contributions that are restricted for a specified use are initially deferred and are recorded as revenue when the related expenses are incurred. Contributions for capital assets are deferred until the assets are put in use and amortized. The Institute recognizes the capital grants equal to the amount of amortization charged for those capital assets.

d) Funding

The Institute's operations are funded by the Government of Saskatchewan (Saskatchewan) and the Government of Manitoba (Manitoba) according to an agreement between the two provinces.

The Institute, in accordance with the authority included in Order in Council 1800/79, follows the policy of retaining any excess of revenue over expenses.

On wind-up, any net assets will be divided between the two provinces in proportion to their share in the Institute's assets equivalent to the percentage of funding provided to date by each province. Saskatchewan's share is about 70% and Manitoba's is about 30%.

e) Restricted Cash

The Institute receives grants to purchase capital assets. The amount of grants unspent are recorded as restricted cash.

3. Due to General Revenue Fund

One of the Institute's bank accounts is included in the Consolidated Offset Bank Concentration (COBC) arrangement for the Government of Saskatchewan. At year-end, the Institute owes the General Revenue Fund $111,660 (2001 - $426,396).

The Institute's earned interest is calculated and paid by the General Revenue Fund on a quarterly basis using the Government's thirty-day borrowing rate and the Institute's average daily bank account balance. For 2002, the average rate was 3.41% (2001 – 5.59%).

4. Capital Assets

	2002			2001
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Buildings	$ 3,709,440	$ 1,775,759	$ 1,933,681	$ 2,007,180
Equipment	1,895,706	1,073,815	821,891	821,574
Land & improvements	279,841	-	279,841	275,436
Furniture	186,383	152,583	33,800	34,551
Vehicles	386,299	162,825	223,474	197,939
Computer equipment	464,448	304,937	159,511	196,872
Building under construction	-	-	-	65,364
Total	$ 6,922,117	$ 3,469,919	$ 3,452,198	$ 3,598,916

5. Deferred Capital Grants

During the year, the Institute received contributions of $300,000 from the Department of Agriculture & Food. The Institute recorded $95,368 (2001 - $177,716) as revenue equal to the amount of amortization recorded for the buildings and computer upgrades.

In 1995, the Institute received $100,000 from the Department of Economic and Cooperative Development (Department of Industry and Resources effective April 1, 2002) for the development of the Canadian Load Cell Test Centre. During the year, the Institute reached an agreement with the Department to discontinue this project. As a result of this agreement, the Institute repaid $19,790 to the Department. Also, the Institute determined that the Canadian Load Cell Test Centre project had no future value and accordingly wrote off the Centre's building under construction in the amount of $65,364. For financial statement purposes, this write-off has been included in the amortization expense.

6. Due to Government of Alberta

Effective March 31, 1988, Alberta terminated its participation in the original agreement dated October 1974 which established the Institute. As part of the termination, the Institute agreed to transfer to Alberta 35% of the Institute's net assets as at March 31, 1988. The amount owing to Alberta is $42,351 (2001 - $61,451). The Institute is discharging this liability by performing services for Alberta.

7. Commitments

The Institute has agreed to provide monetary and in-kind contributions for several research and development contracts entered into in 2001/2002. The commitments at March 31, 2002 amount to $18,875 (2001 - $21,660).

8. Financial Instruments

a) Significant terms and conditions

Significant terms and conditions related to financial instruments may affect the amount, timing and certainty of future cash flows. When such significant terms and conditions exist, they are described separately in the financial statements and the notes thereto.

b) Fair value

For certain of the Institute's financial instruments including:

i) due from General Revenue Fund
ii) restricted cash
iii) accounts receivable
iv) bank indebtedness
v) due to General Revenue Fund
vi) accounts payable and accrued liabilities

the carrying amounts approximate fair value due to the immediate or short-term maturity of these financial instruments.

c) Credit risk

The Institute is exposed to credit risk from the potential non-payment of accounts receivable. The Institute has entered into contracts with both the federal and provincial governments. The Institute has also entered into contracts with private organizations and individuals. The credit risk on these accounts receivable is minimal because most contracts are with provincial and/or federal governments or well-established large private companies. All accounts considered uncollectible are included in an allowance for doubtful accounts.

d) Interest rate risk

The Institute is exposed to interest rate risk when the value of its financial instruments fluctuates due to changes in market interest rates. The Institute's receivables from governments are non-interest bearing. Receivables from private organizations and individuals bear interest at two percent. The Institute's payables are non-interest bearing.

e) Currency risk

The Institute is exposed to currency risk when the value of its financial instruments held in U.S. currency fluctuates. This occurs due to changes in the value of the U.S. dollar relative to the Canadian dollar. At March 31, 2002, the Institute had accounts receivable of $228,873 (2001 – $296,338) converted to Canadian dollars at year end at a conversion rate of 1.5807 (2001 – 1.5763).

f) Bank Indebtedness

The Institute is authorized to borrow money under *The Prairie Agricultural Machinery Act*. The Institute has established a line of credit of $600,000. There is an assignment of the accounts receivable as collateral for bank indebtedness. Interest is charged on the line of credit at the Royal Bank of Canada prime rate.

9. Related Party Transactions

These financial statements include transactions with related parties. The Institute is related to all Saskatchewan and Manitoba Crown agencies such as departments, corporations, boards and commissions under the common control of the Government of Saskatchewan or the Government of Manitoba. Also, the Institute is related to non-Crown enterprises that the Government of Saskatchewan or the Government of Manitoba jointly controls or significantly influences.

Routine operating transactions with related parties are recorded at the standard rates charged by these organizations and are settled on normal trade terms. Those transactions and amounts outstanding at year-end are as follows:

	2002	2001
Saskatchewan		
Fee for service revenue	$ 328,980	$ 538,668
Operating expenses	419,294	214,562
Accounts receivable	183,211	226,953
Accounts payable and accrued liabilities	26,655	21,117
Manitoba		
Fee for service revenue	$ 85,843	$ 106,928
Operating expenses	45,515	77,170
Accounts receivable	-	148,007
Accounts payable and accrued liabilities	4,857	2,291

In addition, the Institute pays Saskatchewan and Manitoba Provincial Sales Tax to each province's Department of Finance on its taxable purchases made in that province. Taxes paid are recorded as part of the cost of those purchases.

Other transactions with related parties and amounts due to/from them are described separately in the financial statements and the notes thereto.

10. Contractual Arrangement

In 1991, the Institute entered into a contractual arrangement with Western Canada Testing Inc. (WCTI) for the use of a testing facility. Under the arrangement WCTI retains a portion of the contract price from members and non-members as a service charge for the Institute's use of the testing facility. During the year, the Institute earned $466,777 (2001 - $391,565) net of WCTI retention from this arrangement. Accounts receivable includes $140,318.(2001 - $176,450) receivable from WCTI.

11. Budget

The budget for 2001/2002 was approved by the Board on April 3, 2001.

12. Contingencies

On January 11, 2002 an employee of the Institute died from injuries sustained in a workplace accident. The Saskatchewan Occupational Health and Safety (Sask OH&S) have investigated the fatality. Sask OH&S have subsequently served the Institute with Notice of Contravention of *The Occupational Health & Safety Regulations*. The intent of such Notice is to direct the future conduct of the Institute in the matters relating to the Regulations.

While the Institute has agreed to comply with the Notice of Contravention, the Institute has taken issue with the interpretation and application of the Act and Regulations as they relate to this matter. To date, no charges against the Institute have been laid, nor has the Institute been advised that charges will be laid. The likelihood of prosecution and of the Institute being found guilty is not determinable at this time. The amount of the contingent loss, if any, cannot be estimated at this time.

13. Comparative Figures

Certain comparative figures have been restated to conform with the current year's presentation.

Schedule 1

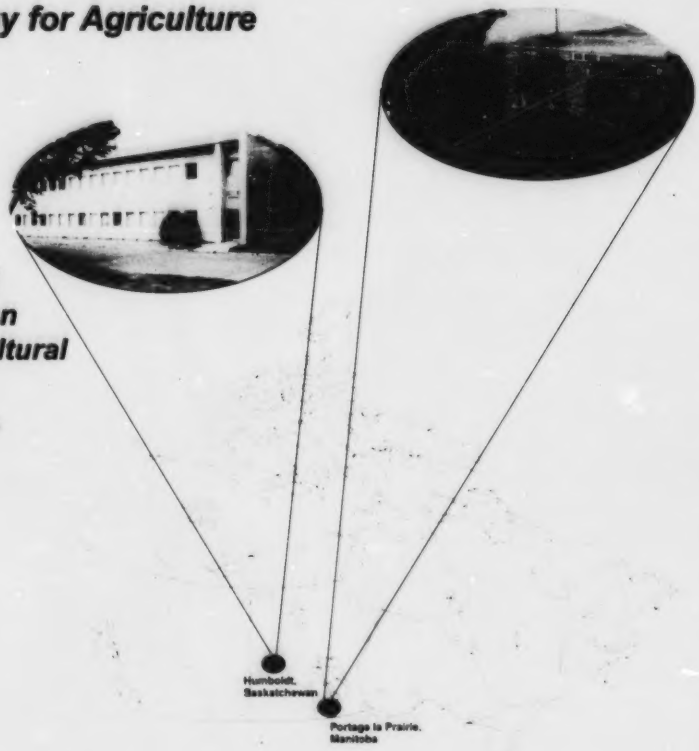
PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
SCHEDULE OF EXPENSES
YEAR ENDED MARCH 31

	2002	2001
Salaries	$ 2,102,926	$ 2,116,479
Shop supplies	675,292	438,539
Travel and vehicle operations	187,400	355,221
Amortization expense	359,267	307,133
Employee benefits	299,158	296,573
Insurance, licences and taxes	176,089	163,241
Utilities	110,974	119,460
Stationery and office supplies	56,963	88,217
Contractual services	90,608	80,771
Computer services	75,048	63,297
Telephone	52,391	57,693
Advertising and promotion	32,081	41,001
Professional and technical services	21,425	38,868
Printing and binding	20,497	34,786
Repairs and maintenance - building and equipment	37,752	32,825
Bad debt expense	2,548	31,447
Rent - building and equipment	28,715	26,316
Reference material	19,423	14,315
Interest expense	4,014	5,154
Honoraria	1,085	2,030
	$ 4,353,656	$ 4,313,366

Our Mission: *Applying Technology for Agriculture*

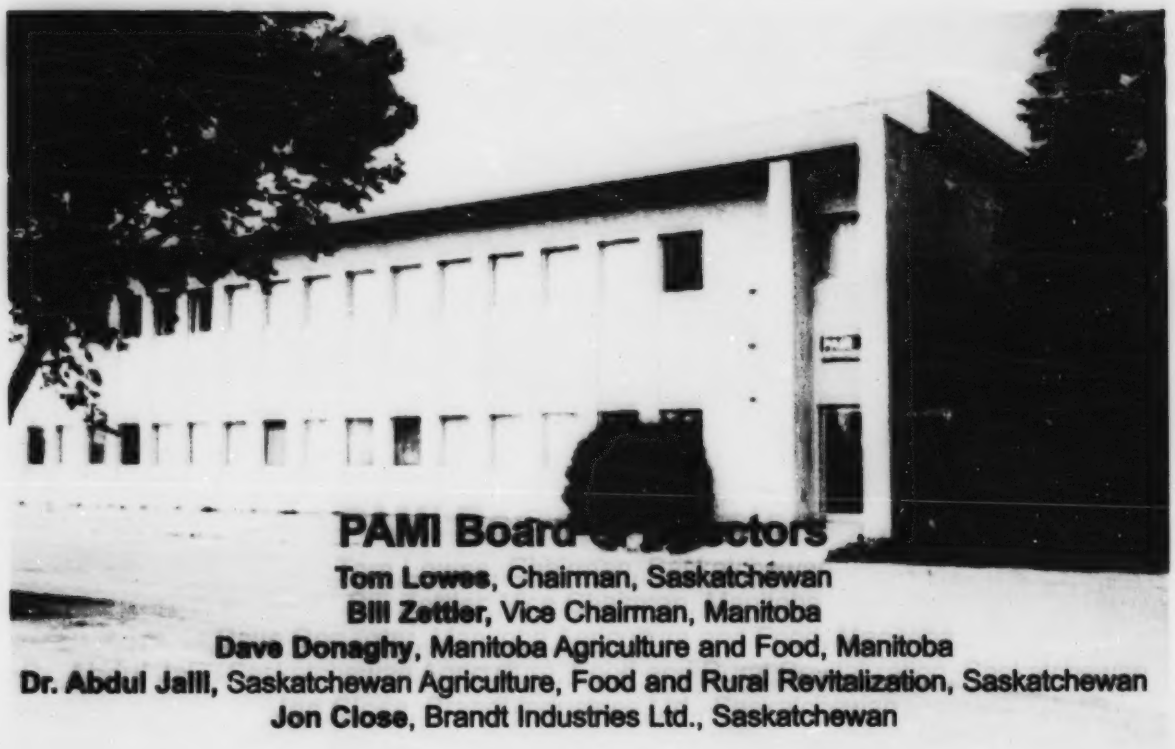
We further economic development in Saskatchewan & Manitoba's Agricultural Industries by applying machinery-related technologies.

We provide applied research, experimental development, design, and testing/evaluation services for our clients, who are.....agricultural producers, machinery manufacturers, agri-processors, and related organizations.



Where We Work:

PAMI has two stations located at Humboldt, Saskatchewan and Portage la Prairie, Manitoba



PAMI Board of Directors

Tom Lowes, Chairman, Saskatchewan
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Focused on the Future of Agriculture

Our Quality Policy

Provide High Quality Client Services by
Applying Technology for Agriculture and Industry in
Meeting our Clients' Changing Needs through
Innovative, Research, Development, and Testing Services

Prairie Agricultural Machinery Institute

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Visit our website at http://www.pami.ca

Prairie Agricultural Machinery Institute

Consolidated Report

For the Year Ended March 31, 2002

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
CONSOLIDATED REPORT

31-Mar-01

Vendors Over $20,000

Acklands	$ 25,694.03
Anhang Walsh	21,000.00
Berscheid Consulting	34,977.86
Canada Life	97,321.88
Carmichael Permafrost	179,118.00
Delotte & Touche	85,012.16
Ellwood McRorie	206,181.24
HSBC Bank of Canada	22,400.96
Insurance Associates	83,854.00
JPK Computers	38,739.27
L. Smith Industries	21,412.49
Midwest Hydraulics	23,860.26
Manitoba Minister of Finance	29,534.94
Manitoba Telephone Systems	21,199.73
Moody Equipment	51,555.00
Optimum Electronics	67,329.78
Prolific Group	33,090.44
Provincial Auditor	26,785.00
Public Employees Superannuation	164,987.44
RDM Computers	52,467.97
Royal Bank Visa	190,619.13
Sask Energy	42,551.01
Sask Power	59,321.33
Sask Tel	43,102.23
Thermo Design	66,960.21
City of Humboldt	80,707.65
Travel Quest	33,045.67
Unicity	26,495.97
U of S Soil Science	40,900.00
Wal Dor Industries	107,360.59
Western Business Machines	53,701.78
Wiebe Travel	63,970.91
Total	$ 1,870,225.65

PRAIRIE AGRICULTURAL MACHINERY INSTITUTE
CONSOLIDATED REPORT
31-Mar-02

Salaries over $2500

NAME	AMOUNT PAID
Abrey, Rachel	$15,313.95
Aqine, Annette	$23,792.53
Bay, Ted	$68,825.56
Beaulieu, Kelly	$42,582.19
Bergermann, Carol	$17,546.69
Boyden, Alan	$45,773.38
Broad, Barrie	$69,874.00
Broughton, Maricia	$26,281.24
Burton, Gregory	$57,664.22
Carmichael, Ken	$53,088.41
Carr, Terry	$27,600.00
Cleaver, Cam	$34,610.65
Collins, Jim	$44,074.38
Cook, Murray	$49,984.96
Cross, Errol	$33,984.13
Doepker, Gordon	$20,045.12
Doepker, Sharon	$35,486.72
Doetzel, Gen	$4,510.92
Grieger, Lorne	$37,205.76
Gullacher, David	$79,668.00
Haeusler, Marina	$33,367.14
Hill, Charles	$2,653.43
Hill, Leslie	$69,183.00
Hultgreen, Gordon	$63,421.00
Ingram, Mark	$4,800.00
Jackson, Andrew	$9,878.55
Jackson, Carol	$32,462.88
Kelly, David	$57,596.81
Kieper, Richard	$16,857.14
Klapak, Nelson	$41,988.45
Koski, Peter	$38,165.12
Krushelniski, Kyle	$24,574.00
Leafloor, Erron	$5,076.95
Lechler, Mark	$20,205.53
Leduc, Philip	$72,074.00
Lepage, Dianne	$9,213.23
Lepp, Donald	$13,611.92
Lischynski, Darrell	$59,101.00
Lovell, Perry	$35,347.91
Lucyshyn, Troy	$56,889.00
Malinski, Marilyn	$42,431.03
Marianchuk, Mark	$47,915.05
May, Doug	$34,465.72
Pauli, Bradley	$22,455.53
Perlett, Darryl	$9,404.92
Petkau, Donald	$35,940.91
Pliszka, Chris	$2,573.68
Poole, Murray	$44,941.28
Rauert, Andrew	$42,441.76
Roos, Gillian	$12,016.57
Rude, Derek	$39,588.51
Scholt, Ryan	$56,300.62
Selley, Troy	$19,444.59
Smith, Art	$48,832.51
Stock, Wayne	$52,427.41
Stroeder, Shelly	$9,655.65
Stumborg, Gary	$2,570.76
Szautner, Laurie	$24,663.81
Tully, Brad	$23,361.65
Wassermann, James	$72,926.00
TOTAL	$2,098,737.83